

# **Recording Purchases and Cash Payments Using Special Journals**

# **18.1 - Purchases Journal**

# Words to Know

- **Corporation**
- **Shares of Stock**
- **Capital Stock**
- **Special Journal**
- **Purchases Journal**

# Winning Edge Inc.

**In your teams, read through Winning Edge Inc. and answer the following questions:**

**What does Winning Edge Inc. do?**

**How is Winning Edge organized as a business?  
What are the characteristics of that type of organization?**

**How is Winning Edge different than a proprietorship or partnership? How are they alike?**

# Purchases Journal

**Used to record only merchandise purchases on an account.**

**Because this journal only records one type of transaction, it is a type of Special Journal.**

**By recording similar transactions together, accountants are able to record transactions with more efficiency and accuracy.**

# Purchases Journal cont...

A recording in the Purchase Journal is both a **Debit** to the **Purchases** and a **Credit** to **Accounts Payable**.

The title of both general ledger accounts are listed in the special amount column heading.

Because Purchases on accounts are the only items included in this journal Winning Edge uses Purchase Number instead of Document Number to identify an audit trail.

The Account Title column changes to Account Credited.

**General Ledger – Accounts Payable is Credited**  
**Subsidiary Accounts Payable Ledger is also**  
**credited**

# PURCHASES JOURNAL

PAGE					JOURNAL					
DATE		ACCOUNT TITLE	DOC. NO.	POST. REF.	7		8		9	
					ACCOUNTS PAYABLE				PURCHASES DEBIT	
					DEBIT		CREDIT			
1										

  

PURCHASES JOURNAL							PAGE	
DATE		ACCOUNT CREDITED	PURCH. NO.	POST. REF.	PURCHASES DR. ACCTS. PAY. CR.			
1								1

The diagram illustrates the relationship between the two journals. A red line starts from the 'CREDIT' column (column 8) of the 'JOURNAL' table, moves down, then left, and finally down again to point at the 'PURCHASES DR. ACCTS. PAY. CR.' column (column 6) of the 'PURCHASES JOURNAL' table. This indicates that the credit amount recorded in the Accounts Payable column of the Journal is transferred to the Purchases Dr. Accts. Pay. Cr. column of the Purchases Journal.

# JOURNALIZING PURCHASES ON ACCOUNT

**March 2. Purchased merchandise on account from Pro Golf Company, \$7,254.00. Purchase Invoice No. 179.**

Accounts Affected	Classification	Change	Entered
Purchases	Cost	Increased	Debit side
Accounts Payable	Liability	Increased	Credit side

## GENERAL LEDGER

Purchases	
normal balance	
↑ 7,254.00	
Accounts Payable	
	normal balance
	↑ 7,254.00

## ACCOUNTS PAYABLE LEDGER

Pro Golf Company	
	normal balance
	↑ 7,254.00



# JOURNALIZING PURCHASES ON ACCOUNT

PURCHASES JOURNAL							PAGE 3	
1	DATE	2	ACCOUNT CREDITED	PURCH. NO.	POST. REF.	PURCHASES DR. ACCTS. PAY. CR.		
1	Mar. 20	2	Pro Golf Company	179		7254.00	1	
2							2	

1. Date
2. Vendor Name
3. Purchase Invoice Number
4. Purchase Invoice Amount

# POSTING FROM A PURCHASES JOURNAL TO A GENERAL LEDGER

**PURCHASES JOURNAL** PAGE 3

DATE	ACCOUNT CREDITED	PURCH. NO.	POST. REF.	PURCHASES DR. ACCTS. PAY. CR.	
31	Raffo Company	201	270	371	000
31	<b>Total</b>			<b>4267200</b>	
				<b>(5105)</b>	<b>(2115)</b>

**ACCOUNT *Purchases*** ACCOUNT NO. 5105

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
16		CP6	24000		7261400	
31		P3	4267200		11528600	

**ACCOUNT *Accounts Payable*** ACCOUNT NO. 2115

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
29		G4		11000		2400700
31		P3		4267200		6667900

The diagram illustrates the flow of data from the Purchases Journal to the Accounts Payable ledger. Red arrows and numbered circles (1-6) trace the path:

- From the **ACCOUNT CREDITED** column in the Purchases Journal to the **ACCOUNT** field in the *Purchases* ledger account.
- From the **DATE** column in the Purchases Journal to the **DATE** column in the *Purchases* ledger account.
- From the **Total** row in the Purchases Journal to the **DEBIT** column in the *Purchases* ledger account.
- From the **Total** row in the Purchases Journal to the **CREDIT** column in the *Accounts Payable* ledger account.
- From the **POST. REF.** column in the Purchases Journal to the **POST. REF.** column in the *Purchases* ledger account.
- From the **POST. REF.** column in the Purchases Journal to the **POST. REF.** column in the *Accounts Payable* ledger account.

- 1. Rule a single line.**
- 2. Write the date.**
- 3. Write word *Total*.**
- 4. Add the amount column, write total, rule double lines.**
- 5. Post the amount total to the Debit column of Purchases.**
- 6. Post the amount total to the Credit column of Accounts Payable.**
- 7. Write the Account # in the purchases Journal.**

